The effect of CRM on consumer retention in

Banking Sector in   Azerbaijan

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Abstract

In Azerbaijan, especially in the banking sector, there is a lack of research examining the effects of customer relationship management on customer retention. To examine this effect, in this study customer relationship management, customer satisfaction, customer loyalty, and customer retention were selected and tested as variables. In order to measure the CRM, questions aiming to measure the value that the bank gives to the customers were designed and asked to the participants. Customer satisfaction and customer loyalty were also measured in line with the questions given. To calculate customer retention, the averages of the sums of customer satisfaction and customer loyalty were calculated. The study is based on 3 bank customers operating in Azerbaijan and analyzes the effectiveness of customer retention in the management of customer relations in the banking sector of Azerbaijan as a whole. The study was conducted in a virtual environment and the survey results were analyzed using a computer program. The analysis shows that CRM has a positive effect on customer retention . At the same time, we observed that effective CRM has a positive effect on customer satisfaction and loyalty.

Keywords: CRM, customer retention, customer satisfaction, customer loyalty, customer retention in banking industry

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1.INTRODUCTION

In this chapter the research basis for Client Relationship Management (CRM) and its influence on customer retention in the banking environment of Azerbaijan is presented. It follows with a summary of the topic, the research's objective, and a thesis outline.

1.1 Customer Relationship Management

Customer relationship management (CRM) is an approach to managing a company's interaction with current and potential customers. Developing business relationships with customers uses data analysis about a company and its customers' history, with a particular focus on customer retention and ultimately increasing sales growth (Ibrahim et al.,2011) .

An important aspect of the CRM approach is CRM systems, which compile data from a number of different communication channels, including a company's website, phone, email, live chat, marketing materials, and more recently, social media. Through the CRM approach and the systems used to facilitate it, businesses learn more about their target audience and how they can best meet their needs.

1.2 Customer Retention

Customer retention has been demonstrated to be a crucial management issue in a competitive corporate environment, particularly in marketplaces seeking new customers. Due to its ability to give greater value to customers and enterprises, it is recognized as CRM's primary goal. As a result, employing CRM strategies and technologies may be viewed as the primary goal of organizations in terms of maintaining their customers. (Ahmad & Buttle, 2002).

Although the definition of customer retention varies by company and organization, majority of them, come to the conclusion that focusing on customer retention enables them to achieve a variety of financial goals, such as collecting data about customers for better targeting and communication, or establishing a customized interactions with them (Ang & Buttle, 2006).

With the emergence of globalization and the internet era today both suppliers and customers have better insight about one another than in the past. Therefore, the volume of purchased goods & services rises and the cost of relationship management decreases as consumers remain loyal.

According to Weinstein (2002), many firms focus the majority of their efforts, time, and marketing dollars on obtaining new customers. Customer retention is critical for most banks and businesses since the cost of acquiring new customers is much greater than the cost of retaining existing customers. Attracting a client may cost up to 10 times more than keeping one, and bringing a new customer up to the same level of profitability as a lost one can cost up to sixteen times more. (Ahmad and Buttle, 2002)

Planning, customer satisfaction assessment, complaint management, and quality assurance processes are some examples of organizational activities that may be linked to keeping consumers (Ang & Buttle, 2006). Moreover, each organization must address significant concerns such as the type of consumers to be held and the nature of the items or services supplied in order to succeed in executing this program (Lindgreen et al., 2005).

1.3 The impact of CRM on customer retention

Many authors believe that the ultimate goal of CRM is customer retention, which is crucial for any company's survival in competitive markets. In today's competitive environment, customer satisfaction and survival need great insight abilities to understand customers, analyze their wants, and address the most wanted goods and services in such a manner that their firm becomes the most desired one among all the available possibilities (Ghahfarokhi & Zakaria, 2009). Moreover, customers are an important source of profit for businesses, customer relationship management (CRM) arose from a recognition of their value.

Nowadays, clients have become the most important factor in corporate management since they have alternatives and may modify their plans and programs at any moment. As a result, enterprises must have a full awareness of the customer's demands and the marketplace in order to participate in unanticipated behavior and subsequently act in both the bank's and consumers' best interests (Ghahfarokhi and Zakaria, 2009).

Client happiness and customer retention are strongly linked, according to previous studies (Winer, 2001). Any organization should strengthen their relationship with their consumers by keeping the customer in mind, resulting in higher customer satisfaction and hence increased profit. CRM aims to keep customers by implementing relationship programs with the end objective of ensuring high levels of customer satisfaction. If businesses aim to keep their clients, they must build a wide range of relationship programs and execute them effectively in order to give the targeted results that consumers anticipate. Personalization,

customer service, community development, and loyalty programs are among these initiatives (Becker et al., 2009).

1.4 Research Problem

In many businesses marketer's strategical target have shifted as a result of the desire to focus on long-term and lucrative clients, as well as the need to better understand their behavior. These New clients are those that require extensive price-driven promotions and widespread advertising, which drives organization to actively attempt to attract customers from the severe competition environment. Customers now have access to a diverse selection of goods and services, and they may choose companies that provide them with quick, high-quality products or services if other companies are unable to satisfy their demands quickly. As a result, businesses are attempting to adopt innovative techniques to keep existing consumers rather than investing in client acquisition for which new and varied tools and mindsets are required (Winer, 2001).

As previously stated, several studies demonstrate that the cost of obtaining new consumers is much more costlier than retaining existing ones. Other studies have shown similar conclusions, for instance, a little improvement in customer retention rates leads to a big rise in company revenues. Furthermore, according to other study, the earnings of loyal consumers are more than twice those of new customers (Winer, 2001).

In today's competitive marketplaces, banks are competing more aggressively than in the past. They've come up to the conclusion that client relationships and management are critical to winning this race, especially in e-banking, where face-to-face contacts are not possible. Customer-centric strategies and customer relationship management (CRM) systems enable banks create long-term connections with clients, which leads to increased revenue. CRM is therefore crucial in the banking industry due to the influence it has on customer happiness and retention, which is the ultimate objective of any successful organization (Blery & Michalakopoulos, 2006)

According to empirical researches on the topic and information given above we can adjust question of the research as given below :

"To what extent Does Customer Relationship Management (CRM) affect customer retention in the banking sector in Azerbaijan?"

1.5 Purpose of Research

The goal of this thesis is to explain the link between CRM resources, CRM retention plans (as CRM process capabilities), and customer retention in the Azerbaijan banking industry, based on the above considerations. In summary, this study uses RBV and a customer survey to examine the influence of CRM on customer retention in Azerbaijan banks. Azerbaijani banks have employed CRM and tactics in various degrees, and have moved to this issue at various speeds. However, no research on the influence of CRM on customer retention have been conducted in these institutions. This study attempts to provide a more in-depth look at the issue, independent of the size or age of the institutions.

1.6 Outline of the thesis

Outline of the thesis is given in below figure :

Figure 1. Thesis Outline

Introduction
•Research problem

Literature Review
•Past Studies
•Theoretichal Framework

Methodology
•Survey

Data Analysis
•Analysis using SPSS

Conclusion
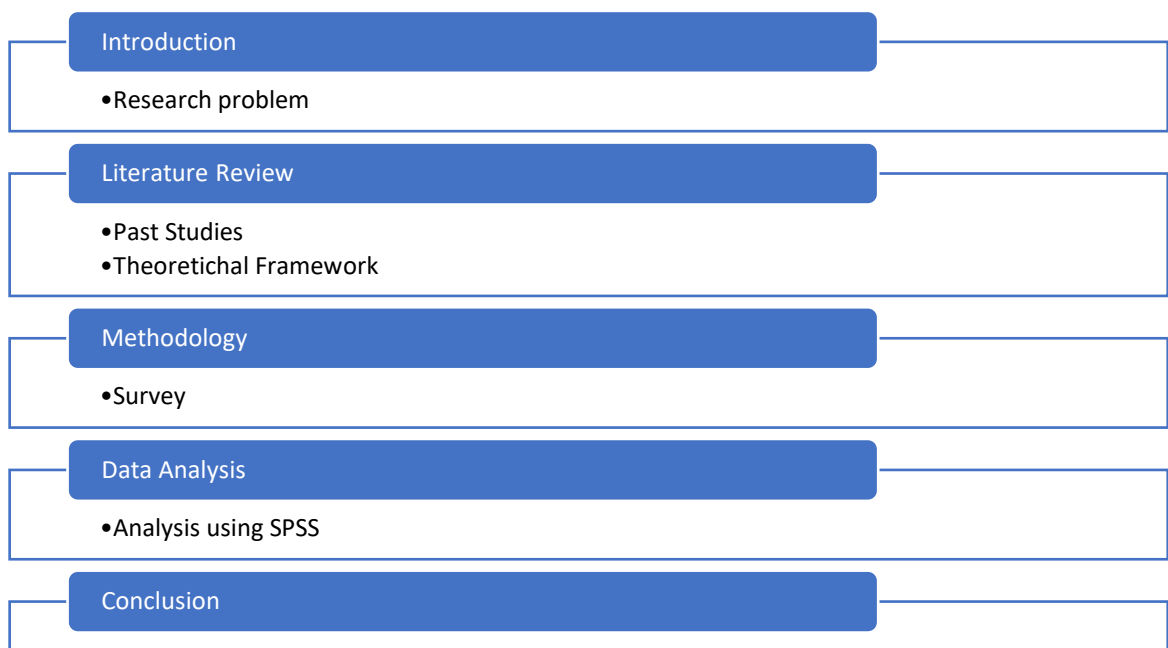
2. CUSTOMER RELATIONS MANAGEMENT SCOPE

2.1 Customer Relationship Management

2.1.1 Reasons for the Emergence of Customer Relationship Management

Customer Relationship Management is the emerging concept of 20th century. Starting from 1990s, it began to gain attention as an essential notion that would revolutionize the communication of small/large organizations with their consumer groups.

The phrase was first referenced in the United States media in the late 1980s, and it reached 14,000 by the 2000s. Nonetheless, even without the phrase itself at all times, practically all managers who have information are aware of how beneficial it is to understand consumers and develop their business. Indeed, according to a survey done in 50 industries, due to great customer relationship management, 43 of the firms that were leaders in their fields in 1923 are still leaders in their fields today. When these organizations were analyzed, it was discovered that many of them are institutions that make big investments and work customer-oriented in order to understand the consumer.

One of the most fundamental reasons for the development of customer relationship management was the necessity for time spent gathering, tracking, and updating data. In reality, due to poor technological capability, performing these procedures was rather difficult in the twentieth decade. Gradually, with the introduction of new software and improved systems, customer relationship management's capabilities have evolved, and the primary goal of customer relationship management has begun to be accomplished. With the development in modern digital solutions and the fall in competition pricing, even small businesses have created a robust Customer Relationship Management system.

CRM's original application goes back to a time when customer relationship management was seen as a commercial notion rather than just a technology one.

Customer relationship management history may be divided into two parts: before and after the 1990s.

Table 1: History of Customer Relationship Management

1950	The period of "I buy what I find" for the customers. This was the year when the supply economy was at the forefront, the limitations in the diversity of products and services in the market paved the way for consumer preferences to purchase what's available in the market.
1980	This is the period that have seen database marketing take shape. At that time, the term could not go further than a voracious phrase used only to describe the work done by customer service groups created to establish relationships with all customers of the organization. With the increase in product and service diversity, the general tendency of the customers at this point changed to "I get what I can get".
1990	They started to turn CRM into two-way communication and began to offer various gifts, discounts and other advantages to customers in order to ensure customer loyalty and provide better customer service, rather than just collecting data for their own use.
2000	This period has left its mark on technological structures changing business processes, from the marketing of products and services to the distribution channel. It has been possible to reach customers through many different channels. CRM is now used passively as a tool to increase sales and improve overall customer service.

Banks were increasingly product-oriented in the nineteenth century. In other words, just the product is created, consumers are expected to come and buy it, and essentially no customer-oriented activities are carried out. Since the mid-twentieth century, organizations' agendas have started including sales-oriented processes. Businesses are becoming more consumer-oriented, and they are attempting to create items that will catch the attention of the client.

The increased range of goods and services available as a result of economic and technological advancements associated with globalization has enabled customers to be more autonomous, discerning, and demanding than previously. As a result, product-centered organizational structures slightly turning into to customer-centric ones. Banks C had to adopt how to shift from a product-centered to a customer-centric orientation, as well as how to deal with a new boss known as the user (Kotler, 2003). Furthermore, clients today want banks that provide value, create a change, and make this a corporate norm.

In today's environment, as clients transition from one-sided consumers to multi-directional consumers, the customer has become a co-producer and creator of value, as well as a co-developer of knowledge and skill. The human aspect is undeniably vital in the "Customer Relationship Method" approach, both for organizations and customers. The following are some of the reasons for the birth of CRM, which focuses on clients: (Soltani et al., 2018).

- Growth of the service economy
- Adoption of total quality understanding
- Customer share becomes important, not market share
- The rise of importance of customer satisfaction and customer loyalty concepts
- Understanding customer value and needing retention efforts
- Rise of Mass marketing as an increasingly expensive way of gaining customers
- With the importance of one-to-one marketing, the necessity of strategies to treat each customer according to their specific needs
- Concepts such as customer retention and loyalty gain more importance in tough competition conditions.
- Developments in computer, communication technologies and database method systems
- With the production of new technologies, advanced products and services, customer expectations change rapidly and as a result, it is necessary to establish cooperative relations with customers.

2.1.2 Customer Relationship Management

Customer relationship management is defined in a variety of ways. CRM, in the broadest sense, is a management strategy that delivers customer satisfaction in the interactions

of organizations with customers, attempts to develop strategic ties with customers and manage relations, and does so by heavily utilizing technology. (Soltani et al., 2018).

CRM is defined as "a tactical approach that requires a continuous and one-to-one relationship with the customer and thus obliges to obtain detailed information about all customers and lays the groundwork for one-to-one marketing and one-to-one relationships in the light of information," according to another definition. CRM, according to another definition, is a complete and accurate approach that combines people, processes, and technology with the revolutionary advantage of the internet, provides contact with customers through tools such as marketing, sales, customer service, and more, and reveals the business's integration in all areas (Kenyon, 2003).

The definitions related to the concept of CRM are summarized in a following way:

- CRM is the process of better understanding with the customer and better guiding the firm within the framework of their expectations.
- CRM includes the overall methodology and products used to manage customer relationships.
- CRM is a management philosophy that centers on the customer and establishes a close relationship with the customer.
- CRM is a business culture developed to make sales, marketing and service processes more effective based on customers.
- CRM is the science of increasing customer loyalty and ultimately customer value by using customer information.
- CRM is the design of business and information flows according to the needs of the customer first and then the company.
- CRM is to connect all kinds of information about the customer in the institution to a single information system and focus it on the customer contact point.
- CRM is to know the customer, understand their needs and develop products and services suitable for the customer.

Features of Customer Relationship Management include :

- ➢ The new economy itself.
- ➢ Behavioral science.
- ➢ Means for electronic commerce.

➢ Call center systems or services.

➢ Direct marketing.

➢ Total quality method.

➢ Enterprise resource planning.

➢ Campaign method software.

➢ Database.

➢ To provide service to the customer with WAP, GPRS and similar technologies.

➢ A data warehouse.

➢ Website design.

➢ Automation of customer touch points.

➢ To meet customer complaints.

➢ Advertising, public relations and market research.

➢ The consultancy services it offers.

➢ Training the staff (Gel, 2002)

The customer relations technique contains several components. To put it simply, the customer relations technique is a strategy that governs strategy, function, process, and business philosophies in order to gain new consumers, retain existing customers, achieve perfect customer pleasure and loyalty, and use technology in the process.

2.1.3 Objectives of Customer Relationship Management

Nowadays, the consumer is a co-producer of value and a co-developer of knowledge, therefore, customer's role in the banks is changing. For this reason banks acquire new consumers, retain existing customers, and understand the factors that underpin customer value in this setting. (Yang et al., 2004).

The main principle behind the customer relations strategy is to treat each client differently. Understanding how consumers differ from one another and implementing a plan appropriately produces the underlying mechanism of banks, but it necessitates that all bank actions focus on customer difference. The following are the primary goals of this method, which focuses on consumers.

✠ Identification of potential customers

- Understanding both current and future needs of customers
- Making customer relations profitable
- Reduction of losses through increased value and satisfaction
- Ensuring differentiation with the awareness that customers have different characteristics
- Increasing customer service and satisfaction and meeting customer demands
- Ensuring cost minimization while exhibiting customer acquisition and acquisition efforts
- Recovering lost customers
- Moving customers up in the relationship hierarchy
- Integrating and harmonizing marketing and sales efforts across the various channels used by the business
- As a result, increasing operational efficiency with CRM

2.1.4 Phases of Customer Relationship Management

Managing customer relations entails a certain methodology. These stages can be described in a following way:

Customer Selection.

The major goal of this phase of customer relationship management is to determine "Who is the most lucrative client?" The following studies are being conducted in this regard.

- Determining the Target Audience
- Segmentation
- Positioning
- Campaign Plans
- Brand and Customer Planning
- New Product Launches

Target audience segmentation and identification is an important marketing activity. Customers are tough to grasp for marketing managers, and purchase actions are viewed as complicated factors. It will be feasible to appeal to clients with similar qualities, tastes, and

purchase impulses by establishing the target audience. Thus, branding strategy, campaign planning, client planning, and new product releases will all fall within the purview of customer relations management. During this phase, the completed tasks, particularly the consumers who may be profitable for the company, are monitored. Customers with a monthly salary of more than 5000 AZN, for instance, will have different residences, automobiles, and social circles than customers with a smaller income. In this case, the banks will be the model for developing, pricing, distributing and promoting suitable products under the customer relationship method.

Customer Acquisition

The main purpose of the business is to make sales. "How can we sell to a particular customer in the most effective way?" The answer to the question constitutes the main purpose of this universe. Works carried out at this stage are:

- Needs Analysis
- Offer Creation
- Closing Steps

It is the identification of needs through marketing activity that maximizes consumer happiness and the development of marketing mix items (or offerings) that meet these needs. Such tasks will get you closer to a successful sales activity. Based on the foregoing example, the level of quality anticipated by the same consumer group in the items they choose and the brand's image will alter. As a result, if the company can develop solutions that fulfill these expectations, it will be able to translate its efforts into revenue.

Customer retention

Customer retention, "How long can we retain this customer?" is the phase where the answer to the question is sought. The aim is to connect the customer to the institution, to keep him in the institution and to ensure the continuity of the relationship by focusing on the following dimensions:

- Order Method
- Delivery
- Organization of Requests
- Problem Method, Reflex System

For the CRM to be beneficial for the business, firstly customer's expectations must be fulfilled correctly once during the purchase and especially after the purchase.

Customer Deepening

Customer deepening encompasses the objectives required to maintain long-term retention of a previously acquired customer's loyalty and the resulting profit, and to increase its share of customer spending. The aim is to gain new benefits from the relationship in which continuity is ensured. Works carried out at this stage:

- Cross Selling Campaigns
- Customer Need Analysis

Among the functions of marketing, we can count demand creation and demand satisfaction. Companies that produce and sell multiple goods and services should deepen the relationship by selling other products to the customer who has bought one of their products. In addition, by means of customer needs analysis, the products that customers may need in the future should be developed and these potential needs should be satisfied first (Tolon , 2009)

2.2 Customer Satisfaction And Management Approaches

Today's "the customer is always right" mindset is built on the notion of customer satisfaction and is at the core of all company activity (Tolon , 2009). Since customer happiness is a subjective notion, no definition consensus has been established on this problem. Various definitions of consumer satisfaction have emerged. According to one definition, customer satisfaction is described as the connection between the advantages or the actual benefit supplied by the services. Similarly, customer satisfaction is defined as the goods purchased conforming to or outperforming the consumers' expectations. (Richins, 1979).

Customer satisfaction, in other terms, is the link between individuals' perceived performance of goods and services and their own expectations. As a result, consumer satisfaction is a function of customer expectations. If the customer's experience with the product exceeds their expectations, they are satisfied; if it falls short, they are dissatisfied. (Cronley et al., 2014).

Customer satisfaction is one of the most studied topics in the academic and business world lately. At this point, the approach of confirming expectations according to performance emerges as the most used approach. This approach basically tries to reveal how happy the goods and services are in terms of consumption. Hecne, it has been demonstrated as follows:

Figure 2: Approach to Confirmation of Expectations in Satisfaction
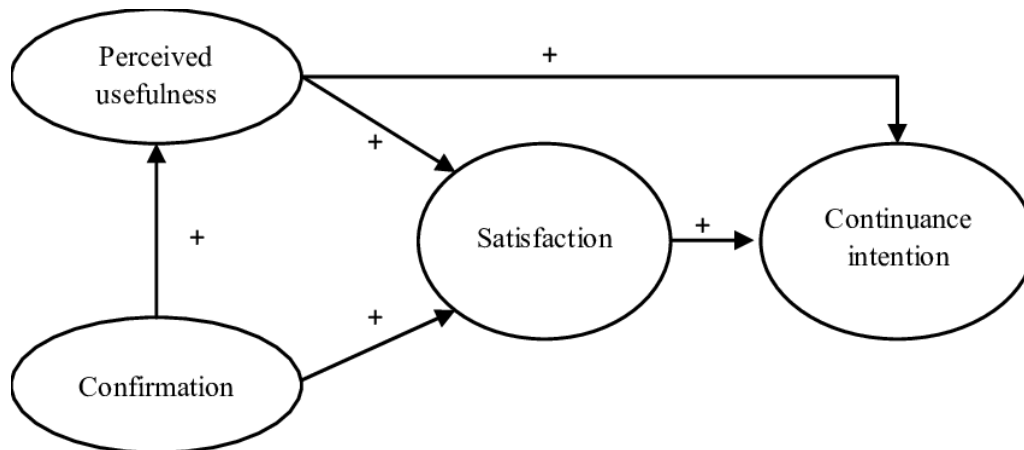
In Figure 1, pre-purchase expectations express the performance expected by the customer from the product. Post-purchase perceptions are customers' thoughts on how well the product is performing. The confirmation shows the differences between these two.

Moreover, confirmations are classified into three sorts. The first is positive confirmation, which occurs when the product performs better than predicted, resulting in satisfaction. The second negative is confirmation, which occurs when the product's performance falls short of expectations, resulting in discontent. Finally, the final situation is neutral confirmation, which happens when the product performs precisely as expected. Customer happiness or discontent at this moment is determined by elements such as expectations and performance levels. (Tolon, 2009).

Aside from the confirmation, there are several techniques that may help firms develop a stronger CRM, one of which is the balanced approach. According to Susan Fournier and David Mick's balancing approach, pleasure is a more active occurrence that varies based on time of usage and other environmental aspects. In other words, if the customer satisfaction criteria are thoroughly reviewed, organizations may boost client happiness by focusing on the weaker areas and strengthening them. For example, contentment with the product (which derives from working on product quality) is heavily impacted by other family members' pleasure (Fornell et al., 2005).

Customer satisfaction refers to the expectations that customers have for a product or service during the course of their lives. High levels of client satisfaction are seen as beneficial experiences for the organization. As a result, many firms use the notions of customer happiness and value as fundamental strategy. Businesses must follow three key management practices in order to achieve customer satisfaction. (1) anticipating client wants, (2) adapting to customer

patterns, and (3) developing new products. Businesses that can maintain customer satisfaction will be able to maintain profits in the long run (Arthur et al., 2012).

Business strategy should focus on the following issues (Agrawal, 2003).

- Creating new advantages that will increase customer satisfaction in a way that will be different from competitors
- Maintaining existing advantages that differ from competitors and increase customer satisfaction
- Suppressing or eliminating competitors' advantages

Although there are many ways to create these advantages, it is possible to collect all the advantages in four main categories:

1) Cost. To provide goods and services that will provide customer satisfactionn at minimum cost
2) Adding value. To ensure that the goods and services produced are more functional
3) Focusing. Seeking to meet the specific wishes and needs of specific customers
4) Flexibility. It is to adapt faster to changing needs. So it is easier to reveal other advantages
1) If these benefits are available in the bank, the customer satisfaction rate will rise in direct proportion. Overall, we can observe that definitions of customer satisfaction often focus on three aspects: Customer satisfaction is an emotional or cognitive response
2) Response focuses on a point related to expectations or consumption experiences
3) Response occurs at a certain time after consumption or decision

In context of this information, customer satisfaction may be defined as the difference between consumers' pre-purchase expectations and post-purchase experiences, so that the firm successfully meets, if not surpasses, customer expectations with the goods and services it creates (Tolon, 2009).

2.2.1 Customer Expectations

While companies provide satisfaction, they need to care about the needs and expectations of their customers. In this regard, it is vital to understand the themes that the consumer requires. Within the context of current marketing theory, what customers desire becomes more essential than what corporations believe. As a result, it is critical to maintain touch with clients, continuously monitor changes in demands and expectations, and establish new expectations.

Expectations are intimately tied to customer happiness. As a result, understanding what to expect is critical for obtaining contentment. Individual needs influence expectations. This means that people's expectations differ. The savings realized as a consequence of experience affect the degree of client expectations. When prior experiences have been unfavorable, the anticipation level is low; when previous experiences have been positive, the expectation level is high. Customer expectations have a direct impact on satisfaction, and satisfaction is defined as the compatibility/incompatibility between a customer expectation and the service performance obtained.

Meeting consumer needs and how these criteria effect satisfaction is a critical problem. Kano model will be utilized to examine client wants. The Kano model, designed by Noritoki Kano (Professor of Tokyo University) to promote customer satisfaction, specifies the attributes that buyers anticipate from a product in three dimensions:

Figure 3: Kano Model
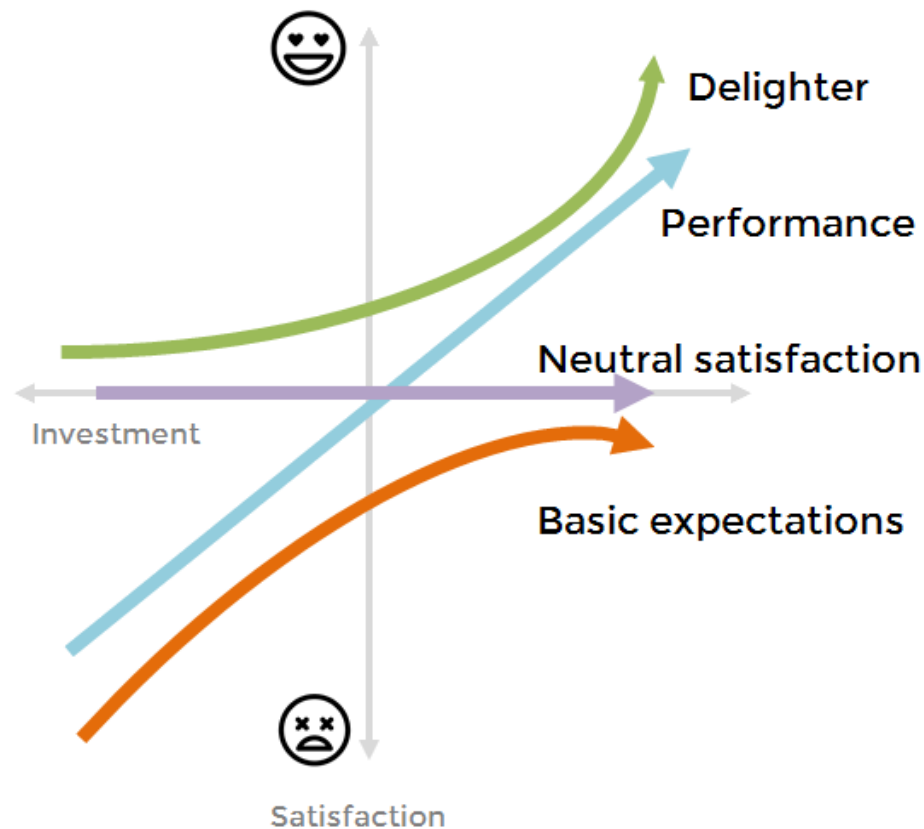
➔ Key features: These are the default features that customers will already find on the product, which should be included in the product or service. Although the presence of these features does not increase satisfaction, the lack of these features negatively affects customer satisfaction.

➔ Expected features: When a customer is asked what he expects from products or services, the answers received are expected features. It is the basic performance that customers expect from the product. When these requirements are fulfilled, customer satisfaction turns into customer dissatisfaction when not fulfilled.

➔ Exciting features: Product features that are extremely satisfying to the customer. Customers do not expect these features, but the fulfillment of these requirements satisfies the customer. On the other hand, the product that does not have these features does not cause dissatisfaction in 15 customers. These features are the features that differentiate the business from its competitors.

2.2.2 Customer Satisfaction Model

Customers nowadays are presented with several options for the items and services they purchase, and they make their decisions based on their impressions of service, quality, and value. As a result, the firm's performance is inextricably linked to client pleasure (Angelova et al., 2011).

An important component of customer-oriented business execution is customer satisfaction and measurement. In general, satisfaction is the activity that satisfies the expectations before the purchase action in connection with a particular product/service. In short, it is the degree of overlap achieved through the customer's expectations. In addition, being customer-oriented organization requires that customer satisfaction information, that have the following features:

- Sharing information for feedback and change,

- Customer complaints are aimed at concluding,

- Ensuring that realistic goals are set for all employees and departments in the business that apply to the entire organization.

In the light of these explanations, it is possible to shape the customer satisfaction model as below:

Figure 4: Customer Satisfaction Model
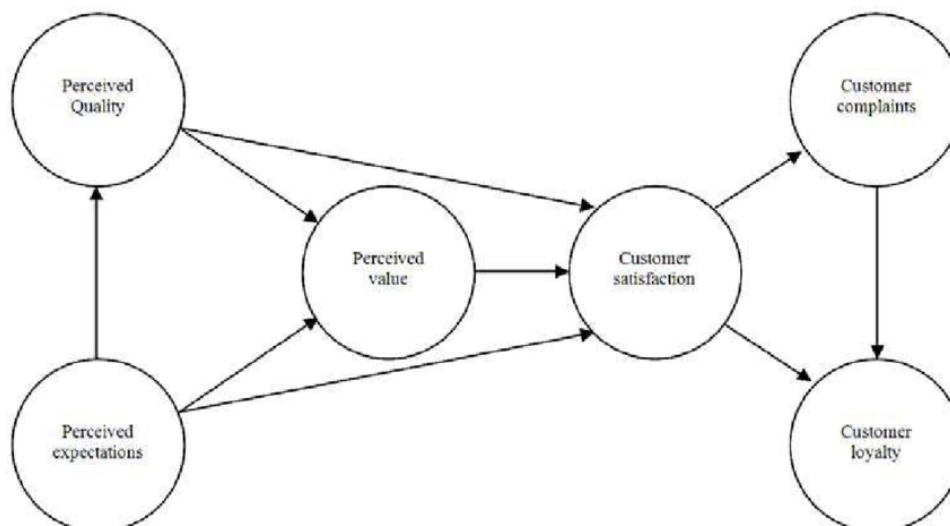

Considering that every customer has contacted the company at least once in the past, the service quality due to the problems and experiences has created the satisfaction level of the past period. As a result of these experiences, the product or service offered to the customer may cause satisfaction in some customers, while it may arouse the desire to alienate from the product

or service in question in some customers. If the desire for dissatisfaction is excluded from the model, it will be seen that there are many factors affecting this satisfaction. Past experiences and its stage lay the groundwork for current customer satisfaction activity. In addition to some of the past experiences forming expectations in the current situation, these experiences determine an important part of the characteristics.

The model is structured on the factors affecting expectations. While the quality expectation of goods and services is effective in the formation of past experience, suggestions from the external environment and demographic characteristics, as well as the activities of competitors, are among the factors affecting expectations. These expectations meet or remain lower than perceived ones during the evaluation phase. This turns into using the service again or recommending it to others. Moreover, conceptual and theoretical scope of satisfaction may vary according to the product or service. Therefore, any of the factors affecting customer satisfaction is effective in the formation of satisfaction, such as the product being a good or service and the class of the product, the position of the class offered in the market, the promotional activities for the product or product group, the customer's experience level for the product, the evaluation of the demographic differences of the customers. It can vary depending on many factors (Wong et al., 2013).

2.2.3 Importance of Customer Satisfaction for Businesses

In today's world where competition among businesses is increasing, customer satisfaction as a primary tool for effective sales. Technological and other developments can be imitated by existing rival companies in a very short time, and this situation eliminates competitive advantage in the long term. The customer relations that the company has created with expertise can be difficult and costly to follow and implement by other companies.

Although the research of the concepts of supply of goods and services to customers and service quality started in the 1960s, studies on this subject have gained strength in the last 20 years and have created a synergy effect. No matter how interesting and surprising this may seem, operating with a focus on service quality and customer satisfaction offers organizations the opportunity to diversify themselves by providing extremely high-quality services in competitive market conditions. Customer satisfaction through high-quality services creates customer loyalty, increases the recommendation rate of the organization, reduces current and future complaints, and reverses the number of customers who are deprived of service or change their behavior negatively (Babakus, E, 2005).

Today's marketing understanding is that consumers are not only ready-to-buy purchasers, they are not willing to buy every product and service, consumers also have individual needs and expectations that are worth their lives, and it is possible for companies to reach their goals by satisfying customers only by fulfilling these needs and expectations. There has been an understanding that the customer's target should always be present and that the customer is always right (Bayuk et al., 2007).

First of all, companies that consider the satisfaction of their customers and aim to always keep the customer in the position of loyal customers should know the customer in question, be close, listen to the customer's complaints, evaluate the customer's complaints, solve the complaints immediately, know that customer complaints are an opportunity rather than a problem, and according to these feedbacks from the customer. product and service policies should be shaped and, if necessary, reshaped (Bayuk et al.,2007). Determining whether a product is satisfactory is essentially an evaluation process. Satisfaction depends entirely on the customer's perception of product performance . The customer considers different standards when making a decision. These standards lead to different decisions. Since the customer will have the last word in retail competition, businesses have to save time, money and energy with a customer satisfaction-oriented approach in accordance with changing conditions.

A loyal customer is a customer with good service. These customers are always the most profitable customers as they purchase more of existing products. In creating this, it is important to establish a one-to-one relationship with the customer and get to know them. For those working in department stores and supermarkets, the customer is just the customer. However, in small businesses, besides being a customer, it is an acquaintance, a neighbor, a person whose well-known preferences are known. The customer wants one-on-one attention. Helping him in the provision of the service, guiding him, giving him ideas about product preferences are among the factors that affect the satisfaction of the customer. Being friendly and establishing warm relations with him is also considered a success for the company. Likewise, the customers who come to the banks are greeted with a smiling face by a staff member at the entrance and directing them to the relevant departments for the transactions to be made in the bank will undoubtedly contribute to customer satisfaction. Customer satisfaction is very important in terms of customer protection. One of the reasons for this is that an unsatisfied customer has the option to seek compensation from the company, share their dissatisfaction with others, or not buy again. Just as the satisfaction created by a service or service provider increases the tendency of customers to maintain their relations with that company; Similarly, when the opposite is

experienced, that is, when there is dissatisfaction, this dissatisfaction is seen as an important reason for the customer to terminate his relationship with the company (Herington et al., 2009).

Rapid technological developments, new markets and the destructive competitive environment that emerged with the change in customer expectations as a result of today's modern businesses are driving today's modern businesses to focus more and more on customer expectations and therefore customer satisfaction. In today's market conditions, where competition is so aggressive and consumers demand quality and cheap products and services, businesses offer products and services of pure quality that meet the needs and expectations of their target customers in the shortest time and at the right time, thus giving their businesses a larger market share economically. Therefore, it provides more profit (Winer, 2001)).

In theoretical and experimental studies on customer satisfaction, the concept of satisfaction has been handled in different ways. In addition to those who define satisfaction as an emotional state, there are also those who evaluate it as a cognitive evaluation process. The emotional, cognitive, and behavioral reactions of the customer, which affect the satisfaction evaluation, are defined as the elements of his attitude. Information about the product and service is cognitive, and all the observable behaviors towards the product and service constitute the behavioral element. At this point, the factors that direct the customer to the purchasing behavior, the cognitive elements and emotions that occur during the purchasing activity can be effective on the post-purchase evaluations and satisfaction level (Heringten et al., 2009).

It has been observed that the following eight points are taken into consideration while determining the product and service quality in customer satisfaction (Bayuk et al, 2007).

1. Performance as a primary dimension of the product's first-order features, quality, and satisfaction.
2. Features are the secondary dimension of the product that complement the basic operating features.
3. Reliability - the probability of the product failing or not working well within a certain time period.
4. Conformity - the degree to which the design and operation of the product conforms to predetermined specifications or users' expectations.
5. Durability - how long the product is used before it physically deteriorates or becomes obsolete.
6. Availability of service - speed, courtesy, expertise and ease shown in the repair of a product.

7. Personal evaluation as a subjective elements regarding the appearance. aesthetics of the product.

8. Reputation (perceived quality) as the overall image of the company.

As a result, in the creation of a customer-centered activity, the effective management of information is as essential as the successful execution of the existing business, as well as the involvement of the customer in this activity. Thus, satisfaction levels, repurchase requests, customer preferences, and their desire to recommend to others can be analysed and necessary corporate activities can be carried out. Companies with a customer-oriented culture, on the other hand, have happier consumers whose needs are met, as well as employees with maximum motivation and satisfaction. This situation constitutes one of the important factors in the continuity of the company's existence.

There are four stages in customer satisfaction in banking services. These are activities related to personnel, in other words, internal customers, financial transactions such as interest, related to the external environment of the organization and customer comfort, including ATMs and working hours. Banks should attach importance and develop these and similar activities, which are determined by according to the characteristics of the region, as measures to increase customer satisfaction.

2.3 IMPORTANCE OF CUSTOMER SATISFACTION TO BANKS

Nowadays, due to the high number of banks and similar / identical services competition among banks are quite high. In this type of environment the only way of gaining competitive advantages and keep the customer base depends on the way that the bank fulfills the requests of their customers. Meeting the same needs in different ways is only possible with price and quality differences. Today, while consumer demands and needs are increasing, the number of competing banks are also increasing. In these conditions, businesses have to offer quality products or services at the lowest price and to bring the consumer to the maximum benefit. Therefore, being satisfied with the products and services offered to the customers will ensure that the customers are connected to the business . (Fitriana, 2019)

Banks that succeed in providing customer satisfaction make significant contributions to both the corporate image of the enterprise and the consumer behavior of banks' products and services. By ensuring customer satisfaction, not only the complaints / concerns about the bank's products or services decrease, but also it is possible for the customer to repurchase the product or service and this is return, partially eliminates their sensitivity to the price factor (Markeeva,

2020). In other words, creating a loyal customer portfolio by ensuring customer satisfaction will provide significant benefits to the business. Dokmen (2003) listed these benefits as follows:

- As customers are satisfied with the quality of a company's products and services, they will prefer to do their other operations with that company in the future.
- Another important contribution of customer satisfaction to the banks is the cost benefit associated with the production of the product or service. Investments made to ensure customer satisfaction will ensure the continuity of the relationship between the business and the customer and will ensure that the investments made are rewarded.
- One of the important results of ensuring customer satisfaction is keeping the employees of the banks witin the entity. Customers who are satisfied with the products and services of the business create happy employees, and this ensures a more peaceful working environment.

Moving to expectations part, Service expectations of customers occur in two different ways. These stages are the desired service stage and the adequate service stage. In the Desirable Service Stage, which is defined as the service performance customer expects to receive from the entity. The desired service is the sum of the service performances that the customer "thinks s/he can get" and "believes s/he should get". Customers are aware of the fact that it is not always possible to achieve the desired level of service. Therefore, there is an acceptable threshold level of expectation at lower levels. This low expectation level is the Adequate Service Stage, defined as the second stage. Adequate level of service; is the level of service that the customer finds acceptable. Adequate service level represents the lowest acceptable level of service. The part between the desired service level and the adequate service level is called the Tolerance Zone. If service is not adequate, customers may be disappointed if adequate service falls below the minimum acceptable level. In this case, the dissatisfaction of the customers with the company may become more pronounced. (Saputra et al., 2019)

Figure 5: Display of Desired Service Level, Tolerance Area, and Adequate Service Levels

Desired Service	→	Tolerance Zone	→	Adequate Service

Figure 5 shows the tolerance range between the desired service level and the adequate service level. The tolerance area may vary according to the dimensions of the service and the performance expectation. Generally, customers are less tolerant of unreliable service than other service disruptions (Sharma, 2020). In addition, with the narrowing of the tolerance field, the distance between the desired service expectation and the adequate service expectation is also narrowing. Dissatisfaction occurs when service performance falls below customer expectations. Satisfaction arises as a result of service performance meeting expectations. Emotions caused by satisfaction or dissatisfaction cause the customer to repurchase the product and to give positive or negative feedback about the product. (Ramaj, 2021)

There are different types of dissatisfaction definitions in the literature. The most Prominent ones among them are: According to Oliver (1999), dissatisfaction is the negative satisfaction that occurs when a customer's need is not met. According to Woodruff (1997), dissatisfaction is defined as a negative emotion that occurs after a certain consumption experience.

Today, it has become vital for businesses to create customer satisfaction, learn the reasons for customer dissatisfaction and try to eliminate them, develop an effective customer relationship management for after-sales, thus retaining customers and ensuring customer loyalty. (Sharma, 2020) In addition to these, it is also important to observe the dissatisfaction, the reasons for dissatisfaction and the reactions of the customers when they are not satisfied, to find solutions to these reactions and to manage them effectively. Customer satisfaction is the most effective and at the same time the least costly element in the communication of the business with the target market. While a satisfied customer conveys his satisfaction to potential customers and repurchases, the likelihood of dissatisfied customers to change the business and to complain about the product will increase, and there will be a danger of voicing their complaints and dissatisfaction to those around them. (Chaudhari , 2021)

Creating customer satisfaction has some advantages. These are not only to attract the current customer to the company, but also to ensure that the customer, who is satisfied with the

service provided by the company, shares positive thoughts with his/her environment. So much so that in all studies, similar results were obtained regarding the spread of customer dissatisfaction. For example, according to one of these studies, 90% of dissatisfied customers leave the company, not buying the service from the same company next time. He tells this dissatisfaction to at least 10 people. Again, according to the results of the same study, it was revealed that 13% of dissatisfied customers shared this situation with 20 people. Another study revealed the "3-33" rule. Accordingly, there are 33 people who are ready to tell others about their bad experience as if they had a disaster, compared to 3 people who had a positive impression of their experiences. Although customers tell other people about companies that provide good service to them, customers who are not satisfied with the services offered tend to tell their negative experience to a much larger audience. In this case, the duty of the company is to deal with and resolve the complaint or dissatisfaction effectively. (Ramajet al., 2020)

2.4 THE REASONS TO MEASURE CUSTOMER SATISFACTION

The primary purpose of a bank should be to increase the number of its loyal customers. The way to do this is through the ability to resell to the customer. The bank's acquisition of loyal customers depends on the satisfaction of the customers. The decrease in the customer loyalty rate indicates that the customer satisfaction rate also decreases .

Customer satisfaction results from the mix of a bank's ability to influence, acquire and retain its customers. Customer satisfaction measurement, on the other hand, is a managerial information system that regularly monitors the voice of the customer through performance evaluations. The objectives of customer satisfaction measurement are as follows:

- To determine the expectations and needs of all customers,
- Determining how well a bank, itself, and its competitors meet these expectations and needs,
- Establishing a product and/or service standard according to the results obtained,
- Ensuring that behavior is developed without delay by examining my tendencies over time,
- Interpreting the extent to which objectives have been achieved by establishing priorities and standards.

The biggest benefit of the customer satisfaction measurement process for the bank is that it provides the opportunity to communicate and maintain the relationship with its most

valuable asset, its customer, beyond providing some numerical indicators. With this feature, it gains importance as a marketing tool for banks rather than being a mere measurement. Continuity of high customer satisfaction should be ensured. Sustainable customer satisfaction can only be achieved with continuous quality service.

2.4.1 Cost of Losing Customer

Banks lose customers at different rates each year. However, in some cases they do not identify the reasons for customer loss, when, which customer they lost, and how much revenue and sales it cost. Instead of investigating these reasons and trying to keep existing customers permanent, they try to attract new customers and therefore incur great costs. Acquiring new customers will cost more than retaining existing customers. Loss of customers, in general, is due to the dissatisfaction of the customer and not fully meeting their wants and needs. The source of dissatisfaction should be investigated with different applications such as surveys and customer visits. (Sabzali et al., 2016) Unsatisfied customers usually do not voice their complaints. Interviews are held with customers to find out why customers leave the business without complaining. Complaints are important data that can be used to ensure customer satisfaction. In order for customers to complain, methods such as comment cards, forms, free phone numbers, and customer service desk can be used to facilitate their complaints. Thus, a decrease in customer loss will be observed (Makui et al., 2012).

According to a study, the reasons why banks lose their consumers are as follows (Kayalı, 2008):

I. 68% are dissatisfied with the attention and interest shown,
II. 14% find the product or service offered insufficient,
III. 9% start working with a competitor bank,
IV. 5% are looking for an alternative bank,
V. 3% are moving,
VI. 1% die.

According to this research, it is an extremely striking situation that 68% of consumers are disappointed with the interest shown and break their relations (Kayali, 2008). That's why today's modern marketing efforts are focused on three important topics:

Protecting existing consumers,

🞧 Finding new consumers,

🞧 Regain lost consumers.

To achieve these goals, to make profit by creating customer or customer satisfaction and to strive for permanent success forms the basis of modern marketing understanding. In this sense, banks should be "customer-oriented". The bank should identify the needs and wants of consumers in the market and develop goods and services to respond to these needs and wants. Acquiring new customers can cost 5 or 10 times the cost required to satisfy and retain existing customers. The average company loses between 10 and 30 percent of its customers each year. A 5 percent reduction in customer churn can result in a 25-85 percent increase in profits, depending on the industry type. Customer profit rate tends to increase during the lifetime of the customer (Kotler, 2003).

2.4.2 Advantages of Customer Retention

Banks aim to gain new customer groups in order to increase their profitability. In addition to their efforts to acquire customers, banks should also protect their existing customers. Because the cost of selling to an existing customer differs from the cost of selling to a new customer. Acquiring a new customer is more costly than retaining an existing one. Many banks are now aware of this and have started to develop strategies to increase customer loyalty. The way to ensure customer loyalty is to satisfy the customer and to do the best for him. Recurring customers will be willing to pay more, even though competing companies have cheaper similar products. This will help increase the profit (Aras, 2007). With a good customer retention program, customers can work with the business for many years. In order for this to happen, businesses must fulfill seven principles (Figure 6) .

Looking at Figure 6, seven items listed as accepting the customer as the heart of the business, managing the business from the perspective of the customer, measuring what is happening, turning customer satisfaction into profit, performing the business with quality, smoothing out the problems and keeping the relations active are seen for the activities of retaining customers.

Figure 6: Customer Retention Principles

Philip Kotler states that the key to customer retention is customer satisfaction. Kotler said the following about customers with high satisfaction levels:

- Business loyalty will last for many years,
- Will speak positively about the business to the people around,
- They will show less sensitivity to competition / slight price differences,
- Offer service ideas to the business through their feedbacks,
- It will cost less than new customers in marketing products and services.

2.4.3 Profitability

The reasons for measuring and modeling customer satisfaction for shareholders in businesses are to provide reliable information about values and the chances of success of their investments, and to provide management with information that takes sound decisions into account for market behavior. There is a direct relationship between the increase in customer satisfaction and the increase in the profitability of the business (Aras, 2007). Studies on PIMS data in 1987 provided evidence of the relationship between service quality and profitability.

Enterprises with the highest investment income have also been the enterprises providing the highest quality service. This can be seen in the following good service cycle (Figure 7).

Figure 7: Good Service Cycle
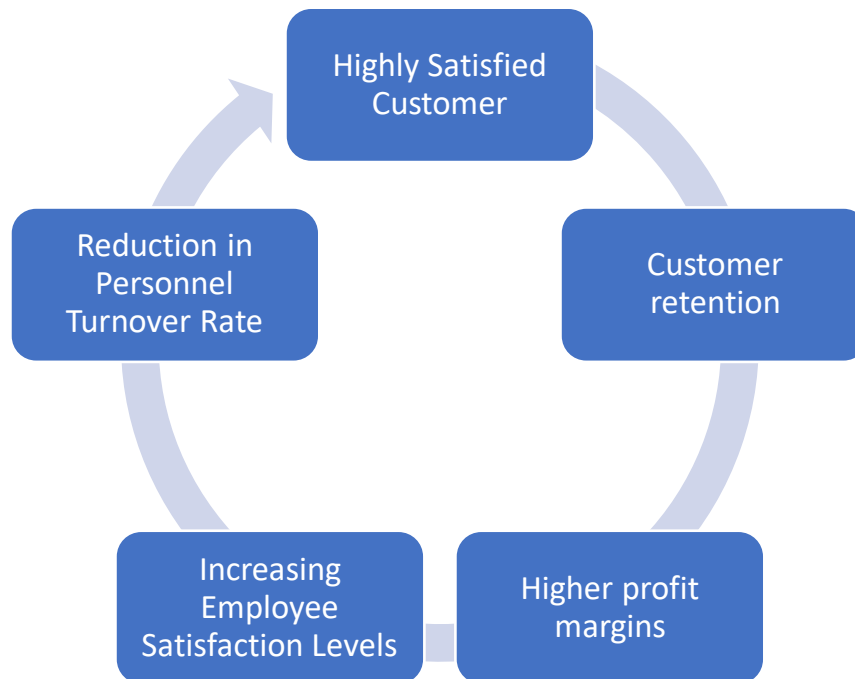
In the process shaped as "Good Service Cycle" in Figure 2.3, the relationship between customer satisfaction and employee satisfaction is discussed. Customers with a high level of satisfaction, put forward by this concept, give the organization the opportunity to work with a higher profit rate, and this provides the opportunity to pay higher wages to the employees.

2.5 Customer Loyalty

Today, banks not only evaluate their customers in a commercial activity relationship, but also see them as individuals and partners who defend the products and services of the business (Kostanoglu, 2009). A bank's ability to retain existing customers and turn them into defending partners depends on building customer loyalty. "When the customer has a choice, the tendency, desire and action to buy the same brand or to choose the same bank with the usual frequency in order to find a solution to their similar needs is called customer loyalty".

Griffin (1995) states that customer loyalty, unlike customer satisfaction, is behavior-based and is a non-random purchase made by some decision units. He also states that he acts with a positive commitment to the product or service (Bayuk et al., 2007).

Any bank attempting to deliver competitive value to its customers must identify and understand in detail the needs of their customers and the actions that make up their value chain. Otherwise, the chances of gaining customer loyalty will be reduced due to the task of providing the right value to customers. Even if an offer is original, it can waste time and money for the bank if it is incompatible with activities in the customer value chain. (Fida , 2020)

Dick and Basu (1994) define customer loyalty as the frequency of being a customer for a product or service, and the customer's constant preference for the same product or service or business. In Zeithaml, Berry, and Parasuraman's research on service quality, customer loyalty is defined as "an intention to maintain relationships with a particular business, involving higher wallet share and repurchase, revealing different behavioural patterns through positive word-of-mouth communication" (Kostanoglu, 2009) Maintaining customer loyalty has never been as difficult as it is today. Traditional satisfactory service characteristics such as responsiveness, experience, skill, timeliness and comprehensive service have become indispensable conditions today and also play a role in differentiating businesses from each other. These elements are the requirements for the survival of a bank today (Potter, 2007)

2.5.1 Approaches to customer loyalty

Customer loyalty is examined in three basic approaches. These approaches are behavioral approaches, attitudinal approaches and mixed approaches.

2.5.1.1 Behavioral Approach

The behavioral approach can be defined as the customer's repeated purchase of the product and service (Bowen and Chen, 2001). If a customer prefers the same product or the same brand in every shopping he makes, this customer can be qualified as a brand-loyal customer according to the product category of that business. Within the framework of these assumptions, it is believed that consumer preference is reflected through consumer behavior, and therefore consumers' purchasing information is focused on (Arasil et al., 2004). The problem with the behavioral loyalty approach is that repeat sales cannot always be considered an indicator of the psychological commitment to the brand.

For instance, wgen a newly opened bank offers efficient commision rates it may attract customers for a certain time period, however, if that particular bank will increase that rate after gaining tartgeted number of users it might lose these newly gained customers with that increase.

There in this case it would not be right to consider temporary repeated service use as a customer loyalty.

2.5.1.2 Attitudinal Approach

When customer loyalty is evaluated at the behavioral level, repeated purchasing behavior is seen as an unbiased determinant of loyalty. In addition to that, repeated purchasing behavior is measured with determinants such as the frequency of the buyer's spending on a certain product category, the last time spent, the monetary value spent or the amount received for a certain supplier. Nevertheless, behavioral measures may be insufficient to explain the reason for purchasing behavior and various situational factors that may affect the behavior. Low repeat purchase rates may have emerged as a result of different use cases, consumer demand for diversity, and uncertainties about brand preference. When customer loyalty is defined by the attitude factor, customer satisfaction is used as a determinant of loyalty, and it is assumed that satisfaction will create a positive attitude and pave the way for the desire to buy again, which will bring loyalty. In other words, it is accepted that satisfaction positively affects purchase intention and loyalty. For example; One study found that an additional £5.5m increase in spending to increase the number of "highly satisfied" existing customers could result in a £18m increase in profits. In addition, while this additional expenditure paves the way for a 6% increase in the number of highly satisfied customers, this increase may turn into a 4.8% increase in customer retention (Erk, 2009).

A customer with attitudinal loyalty may recommend the business's products and services to others, even if they do not regularly use them. Therefore, customers with attitudinal loyalty are of great importance for businesses. Because such customers are emotionally loyal to the business (Bowen and Chen, 2001).

2.5.1.3 Mixed Approach

In the literature, the characteristics and scope of both behavioral and attitudinal dimensions of customer loyalty have been extensively studied. Emphasizing that each of these two dimensions alone is insufficient to create real customer loyalty, the authors propose a combined dimension, which is a combination of behavioral and attitudinal loyalty, and emphasize the importance of this in creating real customer loyalty for businesses (Erk, 2009).

According to the mixed approach, customer loyalty; It can be defined as the customer's repeated purchases of the company's products and services and recommending the company's products and services to others (Bowen and Chen, 2001).

2.5.2 Customer loyalty levels

The diverse purchasing characteristics of client groups should be paid attention to, and management should consider the differences between consumer groups while making choices. When purchasing things, customers' loyalty to the brand and banks may differ. It takes some time for a customer's loyalty to a bank or brand to grow. In a nutshell, client loyalty is a procedure. Each customer may be in a different stage of the process. A consumer is more likely to purchase things manufactured by the bank that will largely address their fundamental wants. (Shankar, 2019) To establish loyal clients, the bank must first address their fundamental needs and persuade them to utilize their products on a regular basis. Other product categories should be offered to the consumer in the following method by sales employees who are in excellent communication with the customer. Finally, keep in mind that loyalty is a type of attitude, and same attitudes should not be expected from every consumer. (Riyadi, 2021)

The first dimension of loyalty is that customers buy items from banks repeatedly and always favor that firm under normal circumstances. Past that point, true customer loyalty occurs when clients are unconcerned about competing firms' alternative products and services and keep on buying from the same bank under normal conditions. According to Dick and Basu (1994), loyalty is impacted by distinct relative attitudes and so varies. Table 2 depicts the various levels of consumer loyalty prepared by Dick and Basu. (Kochoglu, 2009)

Table 2: Loyalty Model Prepared by Dick and Basu

		Repurchase Behavior	
		High	Low
Relative Attitude	High	Absolute Loyalty	Undeveloped Loyalty
	Low	Superficial Loyalty	Disloyalty

2.5.2.1 Disloyalty

Customers with poor relative attitudes and low repurchase behaviors are untrustworthy, as seen in Table 2. Customers who are disloyal are those that are not dedicated to a specific

product or service and do not plan to make repeat purchases. Customers may have low favorable opinions toward the business for two reasons: first, a brand that first entered the market does not execute the essential promotional efforts, and second, all banks continue to compete in a comparable market. (Kochoglu, 200p).

2.5.2.2 Superficial Loyalty

Superficial loyal customers make repeated purchases even though they do not feel emotionally attached. A customer at this level is not expected to like the banks or the goods and services of the banks (Duffy, 2005). Customers with low "relative attitude" yet high "repurchase behavior," as shown in the table presented by Dick and Basu, are characterized by superficial loyalty. In other words, consumers are clients who have a weak emotional commitment to the brand or business despite often purchasing things from it. For example, a company selling industrial items may make recurring orders as a consequence of personal sales conversations with another company offering industrial products (Suroso, 2020). Clients who are regular customers of a business or a certain brand but do not have a positive attitude may also be characterized as a type of habit. A university student, for example, may favor a certain brand of detergent or margarine just because her mother uses it. Although this student has a negative impression of these businesses, his purchasing decisions are completely based on previous experiences and habits. As a result, this amount of devotion can also be described as a habitual loyalty level (Monferrer, 2019).

2.5.2.3 Undeveloped Loyalty

Undeveloped loyalty level is less repetitive repurchase behavior despite the customer's high attitude towards the bank or brand. In other words, although the customer likes, appreciates and feels emotionally connected to the business or brand, they make few purchases from the bank. In other words, undeveloped loyalty is defined as the fact that customers have a positive attitude towards the goods and services of that bank, even though they are not permanent customers of a bank . To boost the purchasing behavior of consumers with this degree of loyalty, first identify the causes for the absence of repurchase behavior and then devise measures to eliminate the identified problems. (Abbasi et al., 2012).

2.5.2.4 Absolute Loyalty

Customers exhibit absolute loyalty when they have a positive attitude about a bank's goods and services and are regular customers of the same bank. Absolute client loyalty may be described by the fact that the customer has a favorable attitude toward the banks, purchases products and services from that banks on a regular basis, is forgiving of the firm's faults, and does not instantly switch to competing banks. Customers with total loyalty level both purchase the products and services of the bank and advocate these products and services to others, while resisting the goods and services provided by rival banks. (Vilkaite-Vaitone, 2020).

2.6 Banking Sector in Azerbaijan

2.6.1 General Overview of Banking Sector in Azerbaijan

The activity of the banking system of the Republic of Azerbaijan is regulated by the law "On Banks". According to the law, the country's banking system is two-digit - it consists of the Central Bank of the Azerbaijan Republic and credit institutions. The main stage - the Central Bank and its activity are regulated by the Constitution of the Republic of Azerbaijan, the Law "On the Central Bank of the Republic of Azerbaijan", the Civil Code and other normative legal acts. In accordance with the legislation, the Central Bank grants and issues licenses to banking activities, and performs supervision over the activities of the bank as determined by law. The second step of the banking system is credit institutions. The activity of credit institutions is governed by the Constitution of the Republic, the Law "On Banks", the Civil Code, the laws "About the Central Bank of the Republic of Azerbaijan", "About Non-Bank Credit Institutions" and "On Credit Unions", etc. It is regulated by normative legal regulations. The level of development of the banking sector is measured by the ratio of total assets to GNP. According to the calculations of the loss adjusters, the total assets of the banking sector in countries with a low level of economic development are not more than 5% of the GNP. The approximate share of the total assets of the banking sector in GDP is equal to 32% in Azerbaijan.

In 2010, the total assets of the bank were 13290.81 million manats. Average bank asset was 295.35 million manats (azerbaijans.com, 10.01.2017). As of 2014, the level of concentration in the banking system of the country is 58.2%. The assets of five banks (International Bank of Azerbaijan, Kapital bank, BankStandart, Xalk Bank and Paşabank) constitute 58.2% of the total assets. 39.2% of the registered capital of the banks in the country, 60% of their deposits and 54% of their loan portfolios belong to these five banks. The only state bank in the banking system is International Bank of Azerbaijan. According to 2014 data, 41.6% of the assets belong to International Bank of Azerbaijan . 41% of the loan portfolio and 36% of the deposits in the country are managed by this bank. The remaining 20 banks have a market share of less than 5%. The assets of these banks are 639 million manats in total, with an average of each bank's assets equal to an estimated 32 million. 8.3% of the credit portfolio in the country and 2.5% of the deposits belong to these banks. The average credit portfolio of each bank is 38 million manats, and the deposit portfolio is 6.9 million manats. According to official information, there are 41 banks operating in the country as of 2016. One of them is state, 40 of them are private. 21 of the private banks are foreign capital. Accordingly, there are only 26 banks operating in Azerbaijan as of 2022 May.

To retain the existing customer base banks banks are coming out with various campaigns to improve their relationships with customers regularly. Nevertheless, there is no research has been carried about the impact of Customer Relationship Management on customer retention in Banking sector in Azerbaijan. Therefore, the following chapte4rs will analyze this study and try to address whether in Azerbaijani banks there is a direct effect of CRM on customer retention.

2.7 Previous Studies

The effects of CRM on the satisfaction, loyalty and retention of bank customers have been a very popular topic in recent years, especially in studies conducted in other countries.

One of the new researches is "Relationship between E-CRM, Customer Experience, Customer Satisfaction and Customer Loyalty in Banking Industry: A Review of Literature" by Kumar and Mokha (2021) in India in 2021. In the study, it was concluded that E-CRM has a direct effect on customer satisfaction and loyalty.

Sokmen and Bas (2019) investigated the effects of CRM on customer relationship quality and customer loyalty by taking an airline company as an example. According to the results : The effective use of CRM greatly increases the quality of customer relations and customer loyalty.

Rashwan et al (2019) conducted research to examine micro-links between e-CRM and e-loyalty mediated by e-banking satisfaction in commercial banks. Results are : The study founded a positiverelationship between E-CRMand e-loyalty and also therewas a mediating role of e-satisfaction in explaining therelationship between E-CRM(website convenience) and e-loyalty (repeated intention) only.

Azzam (2014) investigated the effects of customer relationship management on the satisfaction of bank customers in Jordan. The statistical analysis revealed that there is a significant relationship between variables and customer satisfaction as a dependent variable in the services banking industry.

Aldaihani and Bin Ali (2018) tested the relationship between CRM and customer satisfaction in their study called "Impact of Social Customer Relationship Management on Customer Satisfaction through Customer Empowerment: A Study of Islamic Banks in Kuwait". In this study, bank customers in Kuwait were chosen as the research group. According to the results of the research, it has been claimed that both traditional CRM and social media have significant effects on customer empowerment and satisfaction at the same time.

Luigi Pio Leonardo Cavaliere et al. (2021) found these results by performing an experiment among bank customers in Turkey to test the relationship between customer relationship management and customer satisfaction and retention: In the study, researchers found a link between CRM technology implementation and customer happiness, with a greater customer satisfaction rate being associated with more CRM technology implementation.

Pınar Özkan et al., (2019) "The effect of service quality and customer satisfaction on customer loyalty: The mediation of perceived value of services, corporate image, and corporate reputation" in order to measure the relationship between CRM and loyalty among bank customers in Turkey. conducted research. The results were like this: The findings of the survey indicate that corporate image and corporate reputation can be used as a common marketing benchmark to measure a bank's performance. The results demonstrated that customers perceive quality and satisfaction effects loyalty through perceived value, image and reputation.

3. METHODOLOGY

3.1 Research Design

As a result of the literature review carried out on international publications, it has been demonstrated that the concept of customer retention/customer protection in international banks emerged at the end of the 1980s and that customer retention programs have been actively implemented since the 1990s. According to literature review conducted in our country, no studies have been found that specifically examine the effect of customer relationship management on the concept of customer retention. In the Azerbaijani literature, instead of the concept of customer retention, the management of customer complaints has been emphasized, and in most of the resources used, the concept of customer retention has been taken as a sub-title of the concept of customer loyalty and briefly mentioned. Since the 2000s, the relationship between customer retention and customer loyalty in many sectors has been studied by experts and academics on international platforms and different results have been reached. Therefore, it is expected that the study will contribute to the relevant literature.

The deficiencies of banks in developing and implementing customer retention programs cause researchers to reach different results. All banks aiming to protect customer base should develop a retention program suitable for their sector as a result of detailed studies, measure this in order not to fail later, and implement this program in all company services at the last stage. The program applied by another business in another sector or in the same sector may not give the same results in every business.

The general purpose of the research is to investigate the effects of Customer Relationship Management on customer retention in the Azerbaijani banking sector. For this, two important components of customer retention, customer satisfaction and customer loyalty will be measured. In order to evaluate the effectiveness of customer relationship management, the values that the banks give to their customers in the eyes of the customers will be measured.

Customers of 3 banks operating in Azerbaijan were selected as the research group for the research. These banks are:

a. Kapital Bank
b. Leobank
c. Bank ABB

The research was conducted by using Google Survey. Research questions were created from the author's own ideas, and questions inspired by previous research publications namely Study of customer satisfaction in banking sector of Libya Akgam H.A., (2013) and, Customer Satisfaction in the banking industry Amoah-Mensah A, (2010).

To decrease survey fatigue and enhance respondents' engagement depending on the question the survey questions are given as multiple-choice ones, Likert scale (strongly agree/agree/disagree questions), Star scale (measuring the variables on a rank of 1 star to 5 stars), Net promoter score (from not at all likely to extremely likely). There are two sections (Section A and B) which are built for demographic and specific questions. The survey starts with the demographic multiple-choice questions to identify age and gender of the participants. Further, they are followed by scale questions that will be more specific to determine the relationship between the independent and dependent variables.

In specific questions about Customer Relationship Management, customers answered questions about the bank's customer relations with their clients and to what extent they are content with the provided service.

The conceptual framework used in the study is shown in the figure below.

Figure 8 : Conceptual Framework
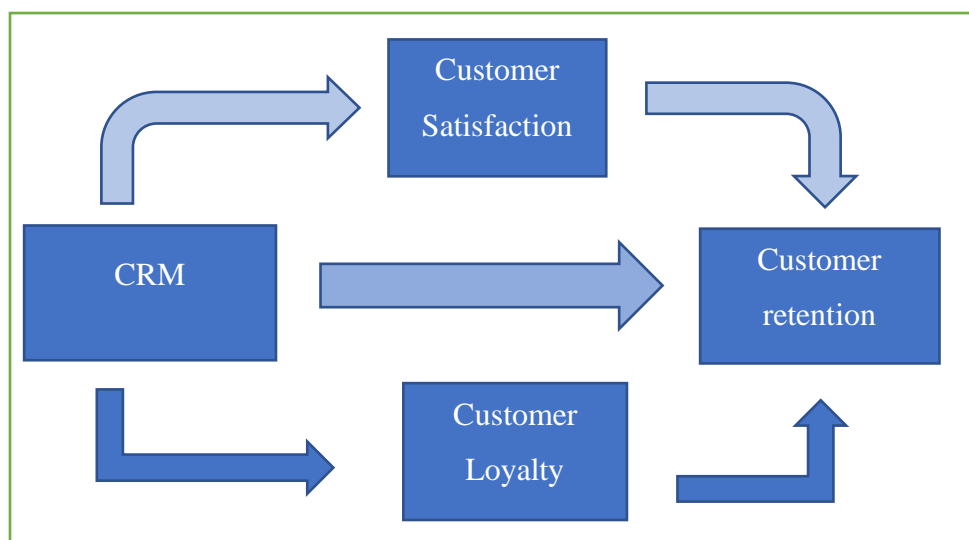
According to the Conceptual Framework Figure, Customer Relationship Management is the independent variable of this research and Customer retention is a dependent variable. In the middle there are two Mediating variables – Customer Satisfaction and Loyalty that will show a way how CRM impacts Customer retention.

Research hypotheses have been developed in accordance with the purpose of the study as follows:

H1. There is a positive relationship between Customer Relationship Management (the value the Bank gives to the customer) and customer retention.

H2. Customer satisfaction has a positive effect on customer retention.

H3. Customer loyalty has a positive effect on customer retention.

H4. CRM has a positive effect on customer satisfaction

H5. CRM has a positive effect on customer loyalty

Cluster sampling was the method chosen for data collection. This sampling method was chosen because in this method chosen respondents are easy set of data. The main reason for choosing the cluster method is that only three of the 26 banks operating in Azerbaijan are selected and a general evaluation is made on the selected banks.

The focus of the sample in this study is the 3 banks operating in Azerbaijan. The reasons why especially those banks have been selected for study is given below:

1. The reason why the customers of Kapital Bank were chosen for the research is that almost many people in Azerbaijan receive their salaries and pensions using this bank.

2. ABB Bank is another bank with the highest number of customers in Azerbaijan. The biggest reason for this is that it offers new credit cards called Tam Card to its customers, with applicable conditions.

3. Leobank, on the other hand, was included in the research because it is a branchless bank card that has been active in Azerbaijan recently.

3.2 Questionnaire Design

The online survey method was used in the research: The prepared survey questions were uploaded to the Internet as a form. It was delivered to the students through social media

channels and the students were asked to answer the questions. While creating the survey questions, "Customer Satisfaction" and "Customer Loyalty", "The value that banks give to their customers" were added by the researcher as a result of the literature review. Research questions have been added to the appendices of the thesis. The survey was conducted by answering the questions of 247 customers of 3 different banks in total. The questions are divided into 4 parts: demographics, the value that banks give to their customers, customer loyalty, and customer satisfaction. To measure the customer retention which is the dependent variable of this research the average of customer satisfaction and loyalty together is taken as a basis as the customer retention both combines consumer satisfaction and loyalty.

The research data obtained through the application of the questionnaire were collected between 15 March and 3 May 2022. In order to complete the questionnaire, each question was required to be answered.

While demographic questions were formed from optional questions, it was aimed to find out customer loyalty, customer satisfaction and the values that their banks gave them in the eyes of customers with Likert type questions.

3.3 Data Analysis

SPSS for Windows (Statistical Package for Social Sciences) program was used in the analysis of the data collected by the survey method within the scope of the research.

Apart from this, Excel program, which is one of the Microsoft Office programs, was also used.

3.3.1 Demographic Variables

Male and female individuals, most of whom are members of the young generation, living in Azerbaijan were included in the study. The gender distribution of the research participants, which was conducted among 247 people in total, is shown in the table below.

Figure 9: Gender Distrubition of Participants
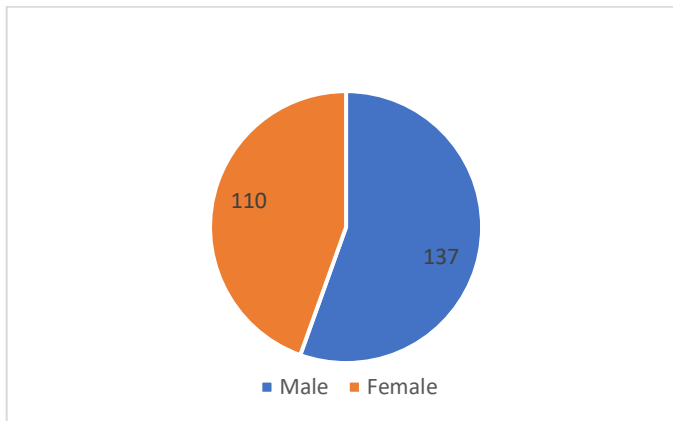
Overall information about participants' age, education and duration of their being customer to a certain bank is given in below figures :

Figure 10 : Age Distrubition
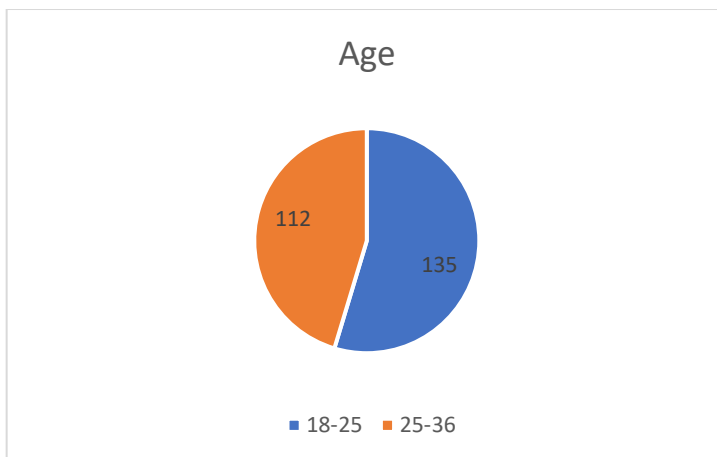
Figure 11: Education Level of Participants
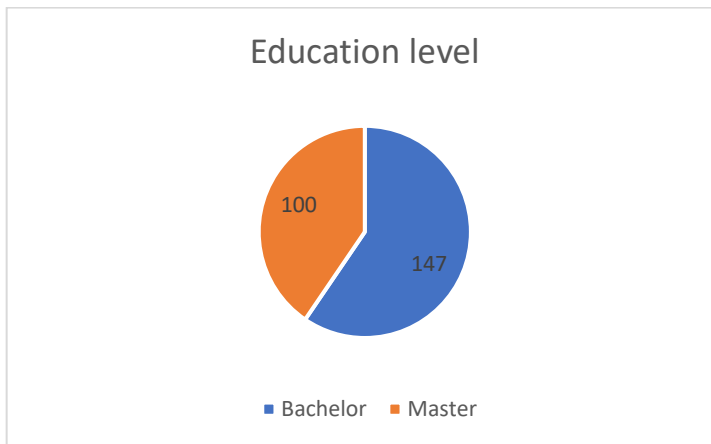
Figure 12: Duration of being customer to a certain bank
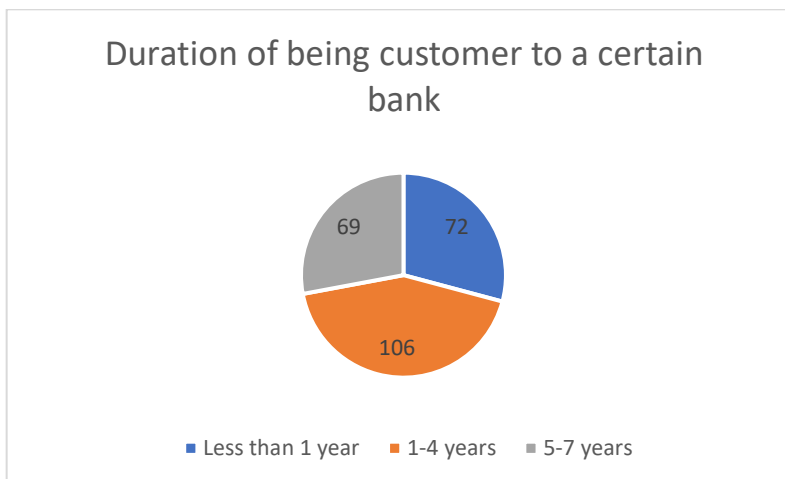
The average of the overall scores given by the male and female participants to all statements is as shown in the table below:

Table 3: Group Statistics

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
This bank tries to provide all banking services available within the country to clients	Female	110	4.19	1.088	.104
	Male	137	3.96	1.218	.104

Communication with bank employees is easy and express.	Female	110	3.65	1.178	.112
	Male	137	3.77	1.158	.099
I am pleased to be the client of this bank.	Female	110	3.85	1.225	.117
	Male	137	3.80	1.271	.109
This bank offers the highest quality service.	Female	110	3.79	1.348	.129
	Male	137	3.55	1.372	.117
It is very convenient to use the bank's technological resources.	Female	110	4.09	1.146	.109
	Male	137	3.93	1.279	.109
If there is any problem, the problem is solved within a maximum of 3-5 working days.	Female	110	3.55	1.331	.127
	Male	137	3.58	1.326	.113
Employees are highly sensitive to meet customer needs.	Female	110	3.63	1.148	.109
	Male	137	3.76	1.075	.092
Employees treat customers politely.	Female	110	3.91	1.378	.131
	Male	137	3.75	1.241	.106
I do all my banking operations only with this bank	Female	110	3.62	1.348	.128
	Male	137	3.53	1.345	.115
I advise my friends and family members to use the services of this bank.	Female	110	3.91	1.170	.112
	Male	137	4.04	1.094	.093
I am not planning to change this bank to other local banks.	Female	110	3.67	1.118	.107
	Male	137	3.85	1.275	.109

In order to determine the internal consistency of the research study, the reliability coefficient was calculated. Criteria for the evaluation of the reliability coefficient (Maxwell, 2014):

- If $0.00 < a < 0.40$, the scale is not reliable.
- If $0.40 < a < 0.60$, the scale has low reliability.
- If $0.60 < a < 0.80$, the scale is quite reliable.
- If $0.80 < a < 1.00$, the scale is highly reliable.

Since the scales of the research variables did not take a single model as an example, Crombach's Alpha value was calculated for both each variable and the whole scale.

Table 4: Reliability Statistics

Reliability Statistics			
Variable	Number of Statements	Cronbach's Alpha	Reliability
Customer Satisfaction	5	0.897	Highly Reliable
Customer Value by Banks	3	0.753	Quite Reliable
Customer Loyalty	3	0.809	Highly Reliable

Above table shows each variable's reliability values which are quite reliable. But overall reliability analysis of scale gives the perfect reliablity outcomes which is given below table :

Table 5: Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.940	11

3.3.2 Effect of CRM on Customer Retention

Multiple regression analysis was performed in SPSS software in order to analyze the relationship between the dependent (Customer Retention) and independent (Customer Relationship Management) variables.

In this analysis, in which we measure the effects of CRM on customer retention, the descriptive table consists of the following:

- Dependent variable – Customer Retention (M=3.8, SD =0.9);
- Independent Variable – CRM (M=3.7 , SD =1.08);
- Gender (M=1.55, SD=0.5) – Where 1 is Female , 2 is male ;
- Age (M=1.45, SD=0.5) – Where 1 is 18-25 age, 2 is 26-35 age;
- Education (M=1.40, SD=0.5) – Where bachelor degree is assigned 1, and Master degree 2;

Table 6: Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
Retention	3.7652	.92477	247
CRM	3.7490	1.07906	247
Gender	1.5547	.49801	247
Age	1.45	.499	247
Education	1.40	.492	247

Correlation analysis is a statistical method used to determine whether there is a linear relationship between two numerical measurements, and if so, what is the direction and severity of this relationship. Pearson correlation coefficient is preferred if the data has a normal distribution, and Spearman Rank correlation coefficient is preferred if the data is not normally distributed. For a correlation coefficient to be interpreted, the p value must be less than 0.05.

If the correlation coefficient is negative, there is an inverse relationship between the two variables, that is, it is said that "as one variable increases, the other decreases". If the correlation coefficient is positive, it is interpreted that "as one of the variables increases, the other increases".

If:

r<0.2 - very weak or no correlation

0.2<r<0.4 - weak correlation

0.4<r<0.6 - moderate correlation

0.6<r<0.8 - high correlation

r>0.8 - very high correlation.

When we look at the Pearson correlation table, we observe that there is a strong positive relationship between customer retention and CRM (r=0.727).

Table 7: Pearson Correlation

Correlations

		Retention	CRM	Gender	Age	Education
Pearson Correlation	Retention	1.000	.727	.046	.073	-.210
	CRM	.727	1.000	.003	.016	-.175
	Gender	.046	.003	1.000	.113	.042
	Age	.073	.016	.113	1.000	.027
	Education	-.210	-.175	.042	.027	1.000

Sig. (1-tailed)	Retention	.	<.001	.238	.126	<.001
	CRM	.000	.	.482	.401	.003
	Gender	.238	.482	.	.039	.255
	Age	.126	.401	.039	.	.334
	Education	.000	.003	.255	.334	.
N	Retention	247	247	247	247	247
	CRM	247	247	247	247	247
	Gender	247	247	247	247	247
	Age	247	247	247	247	247
	Education	247	247	247	247	247

Moreover, while the CRM accounts for 53% variability in Customer Retention ($R2=.53$; adjusted $R2=.53$), the relationship with control variables accounts for 54% variability in customer retention ($R2=.54$, adjusted $R2=.53$) . Both models are very significant.

Table 8 : Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.727[a]	.528	.526	.63637
2	.736[b]	.541	.534	.63156

a. Predictors: (Constant), CRM
b. Predictors: (Constant), CRM, Gender, Age, Education

With the table given below, it is aimed to test whether there is a negative or positive relationship between dependent and independent variables. This table also enables to observe the collinearity level. Hence, a 1 unit increase in CRM leads standardized Beta level of 0.727 units, and a standardized Beta level of 0.710 unit increase if controlled. Moreover, if looked at the significance level, it can be concluded that there is a very significant direct relationship between the of CRM and customer retention. However, when it comes to controlling variables, no control variables were found to have a statistically significant impact on this relationship. To sum up, the first hypothesis is accepted.

Table 9: Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.430	.147		9.748	<.001
	CRM	.623	.038	.727	16.568	<.001
2	(Constant)	1.440	.255		5.644	<.001
	CRM	.609	.038	.710	16.054	<.001
	Gender	.075	.081	.041	.925	.356
	Age	.111	.081	.060	1.361	.175
	Education	-.167	.083	-.089	-2.009	.046

a. Dependent Variable: Retention

Regression equation for first model can be formulated as given below :

$$CUSTRET = 1.430 + 0.623CRM \tag{1}$$

And for second model :

$$CUSTRET = 1.440 + 0.609CRM + 0.075GEN + 0.111AGE - 0.167EDU \tag{2}$$

Next, hypothesis 2, the relationship between customer satisfaction and customer retention, was tested by multiple regression analysis.

the descriptive table consists of the following:

- Dependent variable – Customer Retention (M=3.8, SD =0.9);
- Independent Variable – customer satisfaction(M=3.9 , SD =1.08);
- Gender (M=1.55, SD=0.5) – Where 1 is Female , 2 is male ;
- Age (M=1.45, SD=0.5) – Where 1 is 18-25 age, 2 is 26-35 age;
- Education (M=1.40, SD=0.5) – Where bachelor degree is assigned 1, and Master degree 2;
- CRM – M=3.7 SD=1.07

Table 10: Descriptive statistics

Descriptive Statistics

	Mean	Std. Deviation	N
Retention	3.7652	.92477	247

Satisfaction	3.9352	1.08756	247
Gender	1.5547	.49801	247
Age	1.45	.499	247
Education	1.40	.492	247
CRM	3.7490	1.07906	247

When we look at the Pearson correlation table, we observe that there is a strong positive relationship between customer retention and customer satisfaction (r=0.842).

Table 11: Pearson Correaltions

Correlations

		Retention	Satisfaction	Gender	Age	Education	CRM
Pearson Correlation	Retention	1.000	.842	.046	.073	-.210	.727
	Satisfaction	.842	1.000	-.084	.054	-.300	.727
	Gender	.046	-.084	1.000	.113	.042	.003
	Age	.073	.054	.113	1.000	.027	.016
	Education	-.210	-.300	.042	.027	1.000	-.175
	CRM	.727	.727	.003	.016	-.175	1.000
Sig. (1-tailed)	Retention	.	<.001	.238	.126	<.001	<.001
	Satisfaction	.000	.	.095	.197	.000	.000
	Gender	.238	.095	.	.039	.255	.482
	Age	.126	.197	.039	.	.334	.401
	Education	.000	.000	.255	.334	.	.003
	CRM	.000	.000	.482	.401	.003	.
N	Retention	247	247	247	247	247	247
	Satisfaction	247	247	247	247	247	247
	Gender	247	247	247	247	247	247
	Age	247	247	247	247	247	247
	Education	247	247	247	247	247	247
	CRM	247	247	247	247	247	247

Moreover, while the Satisfaction accounts for 53% variability in customer retention (R^2=.71; adjusted R^2=.71), the relationship with control variables accounts for 54% variability in customer retention (R^2=.75, adjusted R^2=.74) . Both models are very significant.

Table 12: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.842[a]	.708	.707	.50037
2	.865[b]	.748	.743	.46898

a. Predictors: (Constant), Satisfaction

b. Predictors: (Constant), Satisfaction, Age, Gender, Education, CRM

With the table given below, it is aimed to test whether there is a negative or positive relationship between dependent and independent variables. This table also enables to observe the collinearity level. Hence, a 1 unit increase in customer satisfaction leads standardized Beta level of 0.842 units, and a standardized Beta level of 0.693 unit increase if controlled. Moreover, if looked at the significance level, it can be concluded that there is a very significant direct relationship between the customer satisfaction and customer retention. However, when it comes to controlling variables, except CRM ($p<0/01$) no control variables were found to have a statistically significant impact on this relationship. To sum up, the second hypothesis is accepted.

Table 13: Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.949	.120		7.923	<.001
	Satisfaction	.716	.029	.842	24.398	<.001
2	(Constant)	.286	.207		1.386	.167
	Satisfaction	.589	.042	.693	14.067	<.001
	Gender	.184	.061	.099	3.022	.003
	Age	.037	.061	.020	.604	.546
	Education	.062	.064	.033	.977	.329
	CRM	.195	.041	.228	4.804	<.001

a. Dependent Variable: Retention

Regression equation for first model can be formulated as given below :

$$CUSTRET = 0.949 + 0.716 CUSTSAT \qquad (3)$$

And for second model :

$$CUSTRET = 0.286 + 0.589CUSTSAT + 0.184GEN + 0.037AGE$$
$$+ 0.062EDU + 0.195CRM$$

<div align="right">(4)</div>

In the third hypothesis, it is suggested that there is a positive relationship between customer retention and customer loyalty. Therefore, multiple regression analysis will be performed between dependent and independent variables.

the descriptive table consists of the following:

- Dependent variable – Customer Retention (M=3.8, SD =0.9);
- Independent Variable – Customer Loyalty (M=3.8 , SD =1.03);
- Gender (M=1.55, SD=0.5) – Where 1 is Female , 2 is male ;
- Age (M=1.45, SD=0.5) – Where 1 is 18-25 age, 2 is 26-35 age;
- Education (M=1.40, SD=0.5) – Where bachelor degree is assigned 1, and Master degree 2;
- CRM – M=3.7 SD=1.07
- Satisfaction – M=3.9 , SD =1.08

Table 14: Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
Retention	3.7652	.92477	247
Loyalty	3.7733	1.03849	247
Gender	1.5547	.49801	247
Age	1.45	.499	247
Education	1.40	.492	247
CRM	3.7490	1.07906	247
Satisfaction	3.9352	1.08756	247

When we look at the pearson correlation table between dependent and independent variables, it is observed that there is an almost perfect positive relationship between customer loyalty and customer retention. (r=0.922)

Table 15: Correlations

Correlations

		Retention	Loyalty	Gender	Age	Education	CRM	Satisfaction
Pearson Correlation	Retention	1.000	.922	.046	.073	-.210	.727	.842
	Loyalty	.922	1.000	.087	.136	-.154	.700	.728
	Gender	.046	.087	1.000	.113	.042	.003	-.084
	Age	.073	.136	.113	1.000	.027	.016	.054
	Education	-.210	-.154	.042	.027	1.000	-.175	-.300
	CRM	.727	.700	.003	.016	-.175	1.000	.727
	Satisfaction	.842	.728	-.084	.054	-.300	.727	1.000
Sig. (1-tailed)	Retention	.	<.001	.238	.126	<.001	<.001	<.001
	Loyalty	.000	.	.087	.016	.008	.000	.000
	Gender	.238	.087	.	.039	.255	.482	.095
	Age	.126	.016	.039	.	.334	.401	.197
	Education	.000	.008	.255	.334	.	.003	.000
	CRM	.000	.000	.482	.401	.003	.	.000
	Satisfaction	.000	.000	.095	.197	.000	.000	.
N	Retention	247	247	247	247	247	247	247
	Loyalty	247	247	247	247	247	247	247
	Gender	247	247	247	247	247	247	247
	Age	247	247	247	247	247	247	247
	Education	247	247	247	247	247	247	247
	CRM	247	247	247	247	247	247	247
	Satisfaction	247	247	247	247	247	247	247

While customer loyalty accounts for 85% variability in customer retention ($R2=.85$; adjusted $R2=.85$), the relationship with control variables accounts for 54% variability in customer retention ($R2=.91$, adjusted $R2=.91$) . Models are very significant.

Table 16: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922[a]	.850	.850	.35855
2	.956[b]	.914	.912	.27498

a. Predictors: (Constant), Loyalty

b. Predictors: (Constant), Loyalty, Gender, Education ?, Gender?, CRM, Satisfaction

With the coefficients table given below it is aimed to test whether there is a negative or positive relationship between dependent and independent variables. This table also enables to observe the collinearity level. Hence, a 1 unit increase in customer loyalty leads standardized Beta level of 0.922 units, and a standardized Beta level of 0.659 unit increase if controlled. Moreover, if looked at the significance level, it can be concluded that there is a very significant direct relationship between the customer loyalty and customer retention. However, when it comes to controlling variables, except customer satisfaction (p<.001) no control variables were found to have a statistically significant impact on this relationship. To sum up, the third hypothesis is accepted.

Table 17: Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.667	.086		7.741	<.001
	Loyalty	.821	.022	.922	37.303	<.001
2	(Constant)	.361	.121		2.981	.003
	Loyalty	.587	.027	.659	21.471	<.001
	Gender	.043	.036	.023	1.190	.235
	Education	-.073	.036	-.039	-2.032	.043
	Age	.002	.038	.001	.062	.950
	CRM	.000	.026	.000	.012	.991
	Satisfaction	.311	.028	.366	11.210	<.001

a. Dependent Variable: Retention

Regression equation for first model can be formulated as given below :
$$CUSTRET = 0.667 + 0.821 CUSTLOY \tag{5}$$

And for second model :
$$CUSTRET = 0.361 + 0.587 CUSTLOY + 0.043 GEN + 0.002 AG$$
$$- 0.073 EDU + 0.311 CUSTSAT \tag{6}$$

To investigate the effects of the CRM given in the fourth and fifth hypotheses on customer satisfaction and customer loyalty, multiple regression analysis was performed again using SPSS and the results are given in the tables below.

Below tables enable to observe the collinearity level. Hence, a 1 unit increase in CRM leads standardized Beta level of 0.727 units, and a standardized Beta level of 0.393 unit increase if controlled for customer satisfaction and Beta level of 0.700 units, and a standardized Beta level of 0.300 unit increase if controlled. Moreover, if looked at the significance level, it can be concluded that there is a very significant direct relationship between the CRM and customer loyalty and customer satisfaction. Thus, fourth and fifth hypotheses are accepted.

Table 18: Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.187	.172		6.886	<.001
	CRM	.733	.044	.727	16.590	<.001
2	(Constant)	1.591	.262		6.082	<.001
	CRM	.396	.053	.393	7.410	<.001
	Gender	-.255	.083	-.117	-3.081	.002
	Age	.013	.083	.006	.152	.880
	Education	-.352	.084	-.159	-4.181	<.001
	Loyalty	.459	.056	.438	8.184	<.001

a. Dependent Variable: Satisfaction

Regression equation for first model can be formulated as given below :
$$CUSTSAT = 1.187 + 0.733CRM \tag{7}$$

And for second model :
$$CUSTSAT = 1.591 + 0.396CR - 0.255GEN + 0.013AG - 0.352EDU + 0.459CUSTLOY \tag{8}$$

Table 19: Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.248	.171		7.286	<.001

	CRM	.674	.044	.700	15.339	<.001
2	(Constant)	.128	.285		.447	.655
	CRM	.333	.056	.346	5.915	<.001
	Gender	.240	.084	.115	2.851	.005
	Age	.187	.084	.090	2.229	.027
	Education	.103	.088	.049	1.160	.247
	Satisfaction	.474	.058	.496	8.184	<.001

a. Dependent Variable: Loyalty

Regression equation for first model can be formulated as given below :

$$CUSTLOY = 1.248 + 0.674 CRM \qquad (9)$$

And for second model :

$$CUSTLOY = 0.128 + 0.333 CRM - 0.240 GEN + 0.187 AG$$
$$+ 0.103 EDU + 0.474 CUSTSAT \qquad (10)$$

3.4 Ethical Considerations

Participants were offered to participate in the surveys with their own free will and were under no duress to do so. They were informed in advance about the objective of the questionnaire and the results of their replies.

Citations and references were acknowledged when reading and referring to the literature.

The responders' anonymity was totally maintained. They were informed about this in the questionnaire instructions, and their right to privacy was respected in whatever way possible.

4 Discussion

The results obtained from this study, which investigates the effect of customer relationship management on customer retention, will be discussed in this section.

According to the result of this research, which has a high degree of reliability, it has been concluded that there is a positive relationship between CRM and customer retention. Thus, our first hypothesis is proven.

According to the second hypothesis, Customer Relationship Management has a positive effect on customer retention. To prove this hypothesis, we must first explain the link between

the variables used in the research and the variables mentioned in the second hypothesis. It is known that the two most important parameters of customer retention are Customer Satisfaction and Customer Loyalty. Thus, we can call customer retention the sum of customer satisfaction and customer loyalty variables used in the research. CRM, on the other hand, was determined by the questions of the banks' value attitude towards customers. Regression and pearson correlation analyzes were performed separately for each of the three banks, and both a strong positive relationship was found in the pearson correlation analysis, and the regression equations were almost the same for each bank, proving the great relationship between CRM and customer retention.

The proof of the third and fourth hypotheses is evident in the pearson correlation tables for all three banks. The fact that the correlation coefficient between these three variables is above 0.700 proves that there is a positive and strong relationship between the variables.

When we look at the results of the research, the demogaphic indicators of the customers has no effect on customer retention among both Kapital Bank, Leobank and ABB Bank customers. To prove these results, we can see that the p-values are always greater than 0.05 by looking at the independent t-test results of each bank.

4.1 Theoretical Implications

This study aimed to develop further research on the impact of the effectiveness of customer relationship management in banks on employee retention. In the literature, opinions about this type of research and its results are mixed and contradictory, and there has been no such study, especially in the Azerbaijani banking sector. Previous studies around the world have been able to reveal the positive effects of CRM on customer retention, customer satisfaction, and customer loyalty. However, the fact that such a study has not been carried out in the Azerbaijani banking sector before has once again revealed the theoretical importance of this thesis.

4.2 Practical Implications

According to the results obtained from the thesis, the effects of CRM on customer retention are always great, so the fact that the obtained results can be used when strategies are created by banks operating in both Azerbaijan and the world banking sector increases the practical importance of this thesis.

4.3 Limitations and Future Considerations

Considering that, no research can be done without even the slightest limitation we might number some limitations encountered during the survey and study. The biggest limitation of this research is that the research is conducted among only 247 people and customers of only 3 banks operating in Azerbaijan. In addition, the fact that most of the customers did not accept the research for different reasons was one of the limitations of the research in terms of finding participants.

There have been multiple recommendations for future studies that emerged from the results of this research. The most important of these is that the same research is carried out in a mixed manner with customers and bank employees. This will provide opportunities to better analyze CRM strategies and background. Another suggestion is to conduct the research using other methodologies.

CONCLUSION

In this research, the analyzes are structured in 3 parts: descriptive, correlation and regression. In the descriptive part, the explanatory features of the research data are included. In the correlation parts, the relationship between the dependent and independent variables is shown. In the regression analysis, the hypotheses were tested, the relationships between the dependent and independent variables were observed, and the moderating variables affecting this relationship were analyzed. According to the results of the research, the positive relationship of CRM, which is the main purpose of the research, on customer retention has been proven. Study proves that a strong customer relationship management will increase the customer retention rate even more. In addition, effective management of CRM will increase customer satisfaction and customer loyalty. Customers who think that the management of their

bank's customer relations are low, have low customer loyalty and customer retention. Increasing customer satisfaction and loyalty means increasing customer retention, which is very important for banks. Besides, we can say that customer satisfaction and loyalty shape the effect of CRM on customer retention.

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APENDICES

Survey Questions

1. Gender:

   (a) Male

   (b) Female

2. Age:

   (a) 18-25

   (b) 26-35

   (c) 36-45

   (d) 46-55

   (e) 56 and over

3. Education:

   (a) Secondary

   (b) Bachelor

   (c) Master

   (d) PhD

4. How many years have you been a customer of the bank?

   (a) Less than a year

   (b) 1-4 years

   (c) 5-7 years

   (d) 8-10 years

   (e) More than 10 years

5. This bank tries to provide all banking services available within the country to clients.

   (a) Strongly Disagree

   (b) Disgree

   (c) Undecided

   (d) Agree

   (e) Strongly Agree

6. Communication with bank employees is easy and express.

 (a) Strongly Disagree

 (b) Disgree

 (c) Undecided

 (d) Agree

 (e) Strongly Agree

7. I am pleased to be the client of this bank.

 (a) Strongly Disagree

 (b) Disgree

 (c) Undecided

 (d) Agree

 (e) Strongly Agree

8. This bank offers the highest quality service.

 (a) Strongly Disagree

 (b) Disgree

 (c) Undecided

 (d) Agree

 (e) Strongly Agree

9. It is very convenient to use the bank's technological resources.

 (a) Strongly Disagree

 (b) Disgree

 (c) Undecided

 (d) Agree

 (e) Strongly Agree

10. If there is any problem, the problem is solved within a maximum of 3-5 working days.

    (a) Strongly Disagree

    (b) Disgree

    (c) Undecided

    (d) Agree

    (e) Strongly Agree

11. Employees are highly sensitive to meet customer needs.

    (a) Strongly Disagree

    (b) Disgree

    (c) Undecided

    (d) Agree

    (e) Strongly Agree

12. Employees treat customers politely.

    (a) Strongly Disagree

    (b) Disgree

    (c) Undecided

    (d) Agree

    (e) Strongly Agree

13. I do all my banking operations only with this bank

    (a) Strongly Disagree

    (b) Disgree

    (c) Undecided

    (d) Agree

    (e) Strongly Agree

14. I advise my friends and family members to use the services of this bank.

(a) Strongly Disagree

(b) Disgree

(c) Undecided

(d) Agree

(e) Strongly Agree

15. I am not planning to change this bank to other local banks.

(a) Strongly Disagree

(b) Disgree

(c) Undecided

(d) Agree

(e) Strongly Agree